



# David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

August 18, 2019

## Are These Stocks Too High to Buy?

The stock market's had a HUGE year – for the 1st half anyway. The benchmark S&P 500 was up 17% through 6 months. And many stocks have done better.

In fact, the market's been so good that a handful of great growth stocks just passed me by – and kept going higher.

A lot of these names were on my radar, and I just didn't imagine they would rise so quickly. That's the downside of waiting to get a better price before buying a hot stock.

The 2nd half of the year has been rocky so far. And honestly that's a good thing, because it gives us opportunities to pick up these stock market leaders while they are off their highs.

Another thing that's good is you the investor get to see what a "stock that's too high" looks like. Now I'm not saying they won't go higher, I'm telling you the risk is high at these elevated levels.

So here's my short list of stocks I'm looking to buy – if the price is right. *All charts are 2019 Q2.*



## Stocks on the Radar – Shopify (SHOP)

Canada based **Shopify (SHOP)** has become one of the new great franchises that dominates a space and is a must-own stock.

Profits are growing at triple-digit rates and the concept (helping people operate online e-commerce stores) is exactly what retail entrepreneurs are

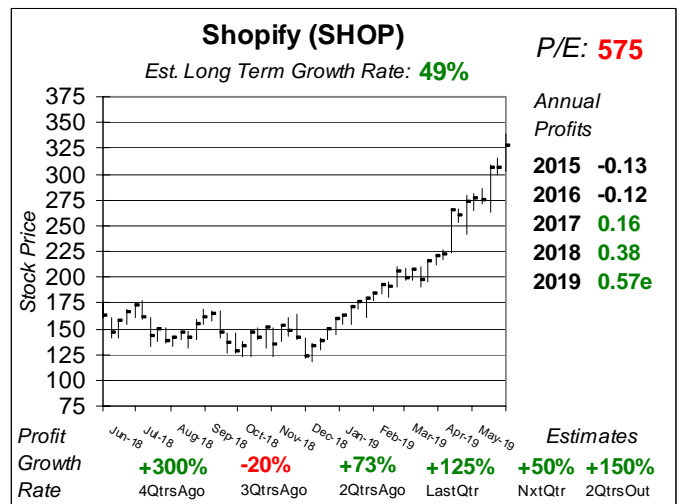
craving.

But SHOP is up from \$138 to \$328 so far this year (137% in less than 6 months) and the stock is dangerously high.

I need to own this stock, but it's gotta drop a lot for be to get a legitimate chance. The P/E is so high and the stock's gone on a dangerous parabolic run.

### Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.57	x	575	=	\$328	
2019 Est	0.57	x	200	=	114	-65%
2020 Est	0.93	x	200	=	186	-43%



## About David Sharek

David started his career as a Financial Consultant at **A.G. Edwards & Sons** in 1999, investing clients in mutual funds, stocks, bonds & annuities.

Although his clients were diversified in different things, the 2000 stock market crash still hurt his investors. This left David leery of Wall Street recommendations as well as mutual funds. Sharek decided to find a better way. He

became a student of stocks, and discovered the best stocks had the highest profit growth.

In 2002 David accepted a position of Vice President—Investments at **Wunderlich Securities** and developed his **Growth Stock Portfolio**.

During his first five years as a portfolio manager (2003–2007) Sharek's **Growth Portfolio** averaged a return of 24%, more than double the market's (S&P 500)

average of 11%.

In 2008 David Sharek founded Sharek's Stock Portfolios. But another stock market crash took the **Growth Portfolio** down 58% that year. Still, by 2013 client accounts hit new highs.

Today, David continues to do his own stock research and manages portfolios on a fee basis from his offices in Midtown Manhattan.

Through June 2019, Sharek's **Growth Portfolio** has grown an average of 13% a year, compared to 9% for the S&P 500 (since 2003).

\$100,000 invested in the **Growth Portfolio** at inception would have grown to \$421,561 vs \$334,359 in the S&P 500.

David's posted four years of +40% returns in his 16 year career.





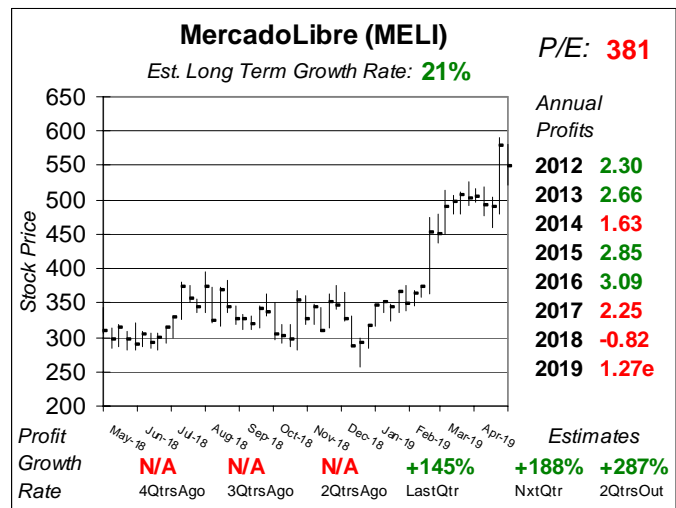
## Stocks on the Radar – Mercadolibre (MELI)

**MercadoLibre (MELI)**, the largest online commerce platform in Latin America based on visitors and page views, is designed to give users a portfolio of services to do commercial transactions. MercadoLibre is like South America's combination of eBay, PayPal and Shopify rolled into one.

The stock is up from around

\$300 to \$550 so far this year, thus it seems extended. In addition, MELI has a P/E of 381 because its spending to grow. This makes the stock tough to value on a P/E basis. I like this company a lot, and am interested in buying the stock, but the recent surge higher makes it high and I would like to wait for a better entry point.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.76	x	103	=	\$78	
2019 Est	0.76	x	100	=	76	-3%
2020 Est	1.12	x	100	=	112	44%



## Stocks on the Radar – Bright Horizons (BFAM)

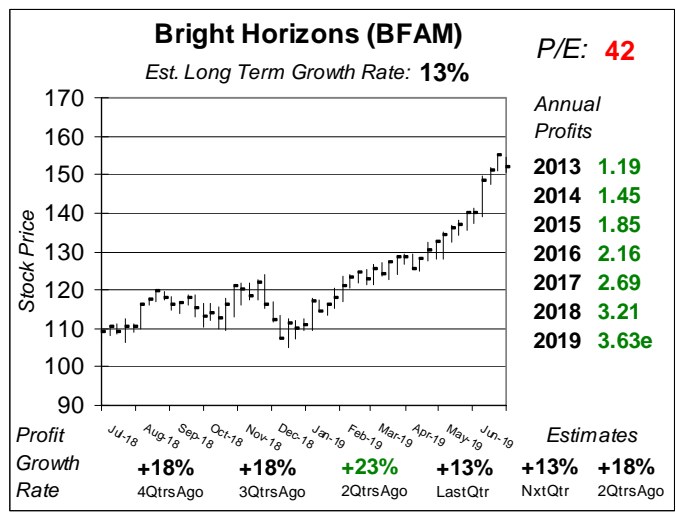
Bright Horizons Family Solutions (BFAM) stock has gone parabolic at a time where employment is high so daycare is in-demand. But the rise in the stock has been faster than the rise in company profits, and this 13% grower now has a P/E of 42 as the stock is very expensive.

Bright Horizons is a provider of

on-site employer sponsored childcare, operating more than 1000 centers with greater than 1000 clients and the capacity to serve more than 100,000 children.

I've been following BFAM for years, and should have bought in after Trump got elected. I should have got in when the stock got below \$110 in December.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	3.63	x	42	=	\$152	
2019 Est	3.63	x	34	=	123	-19%
2020 Est	4.14	x	34	=	141	-7%



## Stocks on the Radar – Twilio (TWLO)

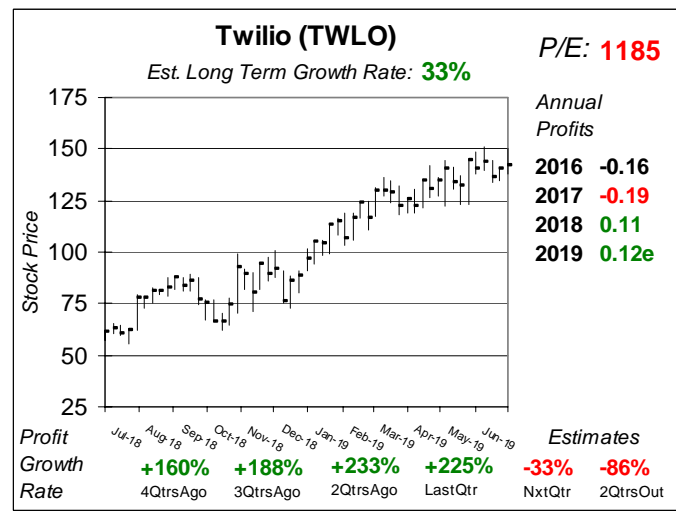
Twilio (TWLO) is a software company that allows app developers to communicate with their customers via phone calls, text messaging or video calls.

Twilio's software can notify a diner when a table is ready, let a customer know their package has shipped, connect buyers to real estate agents, and let you

know when your car has arrived. Big name clients include Uber, Airbnb, and Just Eat.

TWLO stock is one of the hottest in the market. It has a high Est. LTG of 33% per year and has grown profits at a triple-digit rate in each of the last 4 qtrs. Qtrly Estimates are poor, but TWLO has been beating the street.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.12	x	1185	=	\$142	
2019 Est	0.12	x	200	=	24	-83%
2020 Est	0.30	x	200	=	60	-58%





## Stocks on the Radar – Wingstop (WING)

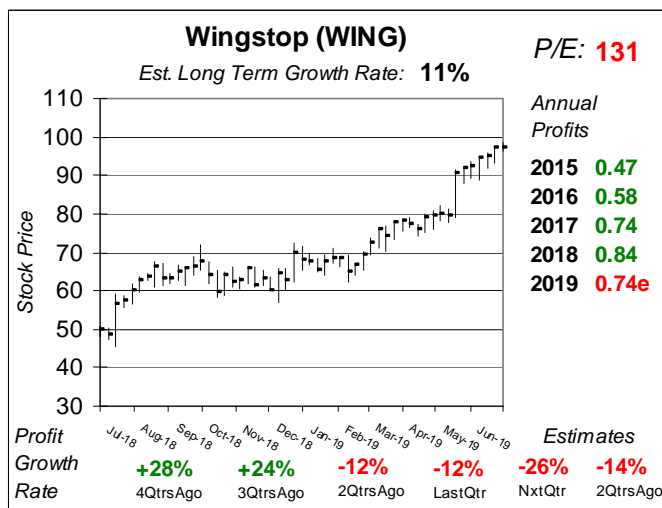
Wingstop (WING) is obviously traveling on something other than profit growth and P/E. Profits are expected to decline 12% this year and the P/E is 131.

As of Dec. 31, 2018 WING had 1252 locations, with 98% operated by franchisees. Wings, fries and sides generate 93% of sales.

Wingstop is a high-growth franchisor and operator of restaurants that specialize in cooked-to-order, hand sauce and tossed chicken wings.

WING may be this high because it paid out HUGE one-time dividends (\$2.90 in 2017, then \$3.17 and \$3.05 in 2018) with much of it taxed as a "return of capital".

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.74	x	131	=	\$97	
2019 Est	0.74	x	45	=	33	-66%
2020 Est	0.92	x	45	=	41	-57%



## Stocks on the Radar – Atlassian (TEAM)

All these charts and tables are from my 2019 Q2 files. Some of these names were high then, and have jumped skied even higher now. Atlassian (TEAM) is one of them.

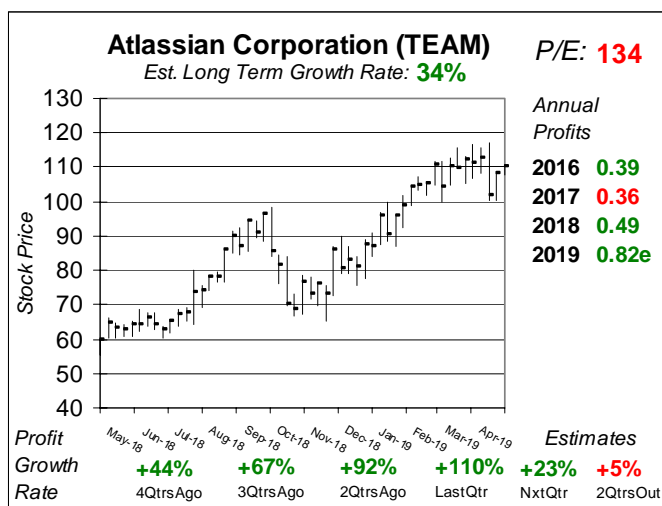
on projects together.

TEAM is one of the new wave of software stocks on the rise as companies spend money on improving team-building software and apps.

Atlassian offers software and apps to organizations that allow team members from different parts of the world to collaborate

This stock is one of the hottest in the market right now, but it's way above my Fair Value.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.82	x	134	=	\$110	
2019 Est	0.82	x	100	=	82	-25%
2020 Est	1.01	x	100	=	101	-8%



## Stock Education

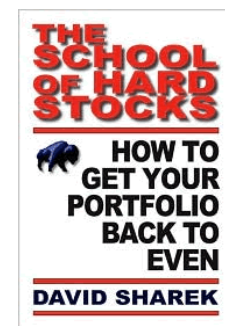
During 2003-2006 David wrote the portfolio management blueprint, *The School of Hard Stocks*, and executed the plan. During those four years he used this strategy to compile a compounded return of 100.57%.

portfolios 42% and beat the market (S&P 500) by 39%.

In January 2008 David wrote a postscript to the book and had *The School of Hard Stocks* published through Amazon.com and Barnes & Noble. In the postscript he wrote to hold Apple (AAPL), Baidu.com (BIDU), Google (GOOG) Intuitive Surgical

(ISRG), Priceline.com (PCLN) and Research in Motion (RIMM). Five of those six stocks continue to be stock market leaders and are in his portfolios today. Read more and look inside at [schoolofhardstocks.com](http://schoolofhardstocks.com).

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### Portfolio Management

#### Let us manage your stock portfolio

David Sharek manages brokerage accounts and IRAs of \$50,000 or more on a fee-basis. Returns shown here are after fees.

#### You own the stocks

David manages each account individually – this isn't a mutual fund – you own the stocks.

Your account is in your name and is not commingled with other clients.

#### Fee-based account management

We grow when you grow. Shareks, LLC bills client accounts 0.50 to 0.75% per quarter (2-3% per year). Fees may be tax deductible.

Also, clients are charged commissions by their brokerage firm when trades are made, usually \$1 to \$7 per trade.

#### Watch your account

Clients can log online and view their accounts at any time.

#### Security

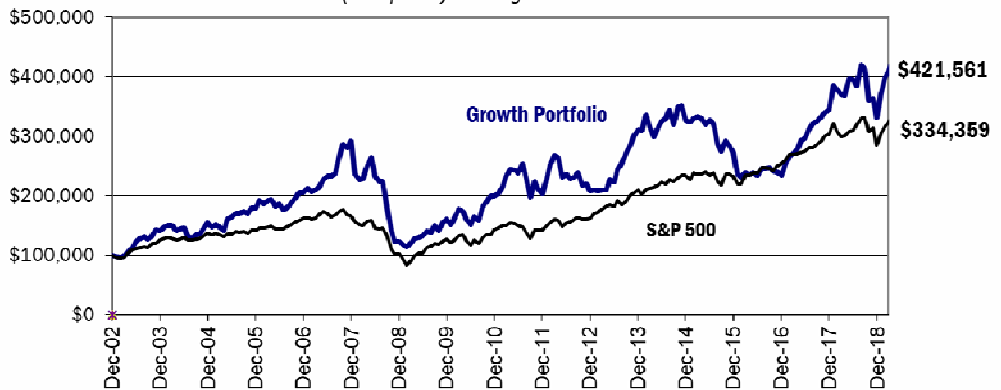
Shareks, LLC is registered with the State of New York as an investment advisor (RIA).

Accounts are kept safe at brokers such as TD Ameritrade and Interactive Brokers and are insured by SIPC.



### David Sharek's Growth Portfolio vs. S&P 500

2003 (inception) through June 2019



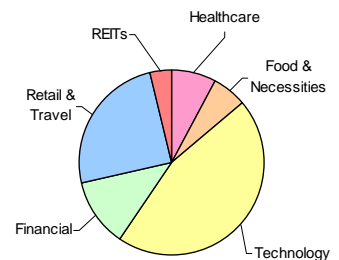
Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg	Total
Growth Port.	41%	9%	16%	15%	42%	-58%	31%	24%	2%	2%	49%	5%	-16%	-14%	47%	-4%	28%	13%	322%
S&P 500	26%	9%	3%	14%	4%	-38%	23%	13%	0%	13%	30%	11%	-1%	10%	19%	-6%	17%	9%	234%

#### Growth Portfolio - Holdings as of 12/31/18

Security name	Ticker	Portfolio Percent	Est LTG	Yield	Est. Total Return
1 Tesla	TSLA	3.9%	35%	0%	35%
2 TenCent	TCEHY	3.7%	18%	0%	18%
3 Amazon	AMZN	3.7%	44%	0%	44%
4 Adobe Systems	ADBE	3.6%	23%	0%	23%
5 Servicenow	NOW	3.5%	45%	0%	45%
6 Salesforce.com	CRM	3.4%	32%	0%	32%
7 Weibo	WB	3.4%	33%	0%	33%
8 The Trade Desk	TTD	2.9%	24%	0%	24%
9 Microsoft	MSFT	2.8%	14%	2%	16%
10 Domino's Pizza	DPZ	2.7%	21%	1%	22%
11 UnitedHealth	UNH	2.7%	16%	2%	18%
12 Global Payments	GPN	2.7%	21%	0%	21%
13 Lululemon	LULU	2.6%	25%	0%	25%
14 Palo Alto Networks	PANW	2.5%	26%	0%	26%
15 Five Below	FIVE	2.4%	29%	0%	29%
16 Workday	WDAY	2.4%	39%	0%	39%
17 PayPal	PYPL	2.4%	20%	0%	20%
18 Netflix	NFLX	2.4%	62%	0%	62%
19 Paycom Software	PAYC	2.1%	22%	0%	22%
20 Alphabet	GOOGL	2.1%	15%	0%	15%
21 Sherwin-Williams	SHW	2.1%	17%	1%	18%
22 Ollie's Bargain Outlet	OLLI	2.0%	25%	0%	25%
23 Alibaba	BABA	2.0%	28%	0%	28%
24 Square	SQ	2.0%	52%	0%	52%
25 Booking Holdings	BKNG	2.0%	16%	0%	16%
26 MasterCard	MA	1.9%	23%	1%	24%
27 Upland Software	UPLD	1.8%	20%	0%	20%
28 Veeva Systems	VEEV	1.8%	21%	0%	21%
29 NVIDIA	NVDA	1.8%	12%	2%	14%
30 Ultimate Software	ULTI	1.8%	23%	0%	23%
31 Grubhub	GRUB	1.8%	27%	0%	27%
32 Ulta Salon	ULTA	1.7%	19%	0%	19%
33 Illumina	ILMN	1.7%	22%	0%	22%
34 Constellation Brands	STZ	1.7%	12%	1%	13%
35 Visa	V	1.6%	18%	1%	19%
36 Home Depot	HD	1.6%	14%	2%	16%
37 Apple	AAPL	1.6%	13%	2%	15%
38 Twitter	TWTR	1.6%	43%	2%	45%
39 SS&C Technologies	SSNC	1.6%	26%	1%	27%
40 Align Technology	ALGN	1.5%	24%	0%	24%
41 Huazhu Group	HTHT	1.5%	25%	1%	26%
42 HubSpot	HUBS	1.5%	74%	0%	74%
43 Baozun	BZUN	1.3%	51%	0%	51%
44 Facebook	FB	1.1%	18%	0%	18%
45 Floor & Décor Holdings	FND	1.1%	29%	0%	29%
46 Funko	FNKO	1.0%	N/A	0%	N/A
47 PetIQ	PETQ	0.2%	25%	0%	25%
Cash		-1.4%			0%
<b>Total</b>		<b>100%</b>	<b>27%</b>	<b>0%</b>	<b>27%</b>

#### Sector Key

Healthcare	8%
Food & Necessities	6%
Technology	46%
Financial	12%
Retail & Travel	25%
Energy & Commodities	4%



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